

## TARIFF ACTION MEMO

**Date:** May 23, 2022

**Date Filed:** April 18, 2022

**Statutory End Date:** June 2, 2022

**File No:** TA223-5

**Name of Utility:** Aniak Light & Power Company, Inc. (ALPC)

**Subject:** Cost of Power Adjustment (COPA), Power Cost Equalization (PCE), and Small Facility Power Purchase Rate (SFPPR) Update

### **Recommendations**

Staff recommends the Commission:

1. Approve Tariff Sheet Nos. 31.01, 33.01, and 34.00 filed May 18, 2022, by ALPC in TA223-5, as shown on the attached side-by-side tariff sheets (Appendix-1). The effective date of the tariff sheets should be June 2, 2022.
2. Remind ALPC to file a new COPA filing 45 days after the last day of each month, until the balancing account balance falls below 10 percent of its annual fuel costs.

Please see attached Staff Memorandum supporting the above recommendations.

Signed: Heather Jesse  
Heather Jesse

Title: Utility Tariff Analyst

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Commission decision regarding these recommendations:

	<u>Date (if different from 5/23/22)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write a Dissenting Statement*</u>
Pickett		<u>RMP</u>		
Doyle				
Kurber		<u>KKZ</u>		
Sullivan		<u>DS</u>		
Wilson		<u>JWW</u>		

\* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

## MEMORANDUM

To: Robert M. Pickett, Chairman  
Robert A. Doyle  
Keith Kurber II  
Daniel A. Sullivan  
Janis W. Wilson

Date: May 23, 2022

From: Heather Jesse, Utility Tariff Analyst

Subject: COPA, PCE, and SFPPR Update

### Recommendations

1. Approve Tariff Sheet Nos. 31.01, 33.01, and 34.00 filed May 18, 2022, by ALPC in TA223-5, as shown on the attached side-by-side tariff sheets (Appendix-1). The effective date of the tariff sheets should be June 2, 2022.
2. Remind ALPC to file a new COPA filing 45 days after the last day of each month, until the balancing account balance falls below 10 percent of its annual fuel costs.

### Background

ALPC's electric load requirement is met exclusively with diesel generation and all fuel costs above \$0.1101 are recovered through ALPC's COPA surcharge.<sup>1</sup>

### Filing

ALPC submits its quarterly COPA surcharge, SFPPR, and PCE amounts update for the period beginning April 2022. With TA223-5, ALPC filed Tariff Sheet Nos. 31.01, 33.01, and 34.00. ALPC filed two supplements to TA223-5, one amending the tariff advice letter,<sup>2</sup> and one revising and correcting a typographical error on Tariff Sheet No. 31.01. ALPC submitted revised copies of Tariff Sheet Nos. 31.01, 33.01, and 34.00.<sup>3</sup>

Proposed revisions to COPA surcharges are reviewed under 3 AAC 52.504, which requires information supporting entries in the balancing account for the historical period, and support for projections for the future period.<sup>4</sup>

Calculation of the COPA consists of two parts. The first part includes a 3-month estimate of kWh sales and fuel and power costs. ALPC submitted supporting documentation for the

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<sup>1</sup> As established in its last rate case, ALPC's base cost of power is set at \$0.1101 per kWh, which accounts for the test year fuel and purchased power costs approved for recovery through ALPC's base energy rates. See Order No. U-97-028(1), issued January 24, 1997. ALPC's COPA surcharge recovers the remaining costs not covered through base energy rates.

<sup>2</sup> See TR2201851, filed April 22, 2022.

<sup>3</sup> See TR2202180, filed May 17, 2022.

<sup>4</sup> 3 AAC 52.504(g). This support includes invoices, records, reports, calculations, contracts, and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

estimates for the 3-month period beginning April 2022. The second part includes documentation for the actual balancing account entries for January through March 2022, and the balancing account balance as of March 31, 2021. ALPC provided actual usage, generation, cost, and sales data for the period of October through December 2021, including spreadsheets supporting the balancing account entries.

### Notice

In accordance with historic Commission practice, a public notice was not issued for TA223-5.<sup>5</sup>

### Analysis/Discussion

#### COPA Decrease

In TA223-5, ALPC proposes a COPA surcharge of (\$0.1425)/kWh. This represents a decrease of \$0.2073/kWh from the currently approved COPA surcharge of \$0.0351/kWh. Table 1 shows the effect of the proposed surcharge and PCE level on a sample average residential customer billing for usage of 500 kWh.

**TABLE 1**

Sample Residential Customer Billing - 500 kWh Usage				
Line	Description	Current Rates	Proposed Rates	Change from Current Rate
1	COPA Surcharge (\$/kWh)	\$ 0.0351	\$ (0.1425)	\$ (0.1776)
2	PCE Credit (\$/kWh)	\$ 0.1723	\$ 0.0295	\$ (0.1428)
3	<b>500 KWH CUSTOMER BILL</b>			
4	First 250 kWh @ \$0.4995/kWh	\$ 124.88	\$ 124.88	
6	Over 250 kWh @\$0.4532/kWh	\$ 113.30	\$ 113.30	
6	COPA Surcharge	\$ 17.55	\$ (71.25)	\$ (88.80)
7	PCE Credit	\$ (86.15)	\$ (14.75)	\$ 71.40
8	RCC	\$ 0.51	\$ 0.51	
9	<b>TOTAL 500 KWH CUSTOMER BILL</b>	<u>\$ 170.08</u>	<u>\$ 152.68</u>	\$ (17.40)

Factors that affect the calculation of ALPC's COPA include the previous period's balancing account balance, generation efficiency, and projected diesel fuel costs. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh sold will put upward pressure on the COPA surcharge and any factor that decreases the

<sup>5</sup> One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states "[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411..." This allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

average cost per kWh sold will put downward pressure on the surcharge. The proposed decrease to ALPC's COPA is driven primarily by:

- (1) A decrease in projected fuel costs. The projected fuel costs decreased from \$143,640.00 to \$132,579.30.<sup>6</sup> This is due to a decrease in the projected number of gallons purchased, from 54,000 gallons to 49,000 gallons. This decrease in costs places downward pressure on the COPA surcharge.
- (2) A decrease in the balancing account balance. The balancing account decreased from (\$58,863.11) to (\$149,401.87),<sup>7</sup> indicating that fewer costs were incurred than revenues collected. This decrease in the balancing account balance places downward pressure on the COPA surcharge.
- (3) A decrease in the projected kWh sales for the quarter.<sup>8</sup> The projected kWh sales decreased from 584,000 kWh to 519,00 kWh. This decrease results in the projected costs being spread over smaller kWh,<sup>9</sup> placing upward pressure on the COPA surcharge.

The decrease in projected fuel costs and decrease in the balancing account balance places downward pressure on the COPA surcharge; this is offset by the upward pressure from the decrease in projected kWh sales. The overall effect is a decrease in ALPC's COPA.

Staff has reviewed all information and calculations filed in support of the proposed surcharge and verified that ALPC provided all required information. Staff confirmed that the proposed surcharge was calculated accurately using ALPC's approved methodology.<sup>10</sup>

#### Balancing Account Exceeds 10% of Annual Fuel Costs

3 AAC 52.504(f) requires that a utility submit a COPA filing within 45 days after the last day of any month in which the absolute value of the cost-of-power balancing account balance exceeds 10 percent of utility's annual fuel and purchased power costs.

With TA223-5, ALPC's ending balancing account balance is (\$149,401). This is -26.5% of its annual fuel costs, which total \$563,328.51. With Letter Order No. L2200066, the Commission required ALPC to file a new COPA filing by April 15, 2022, and 45 days after the last day of each month, until the balancing account falls below 10% of its annual

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<sup>6</sup> See Side-by-side Tariff Sheet No. 31.01, attached as Appendix-1, at line 1.

<sup>7</sup> See Side-by-side Tariff Sheet No. 31.01, attached as Appendix-1, at line 2.

<sup>8</sup> See Side-by-side Tariff Sheet No. 31.01, attached as Appendix-1, at line 4.

<sup>9</sup> The total projected costs include the balancing account balance. See side-by-side ALPC Tariff Sheet No. 31.01, attached as Appendix-1, at line 3.

<sup>10</sup> See Tariff Sheet No. 31 of ALPC's current tariff, which discusses ALPC's COPA calculation.

costs.<sup>11</sup> As the balancing account balance still exceeds the 10 percent of ALPC's annual fuel costs, Staff recommends the Commission remind ALPC to file a new COPA filing after the last day of each month until the balancing account falls below 10% of the annual fuel costs.

#### PCE Decrease

Proposed adjustments to PCE amounts are evaluated under 3 AAC 52.600-690. Each participating regulated electric utility is required to submit revised PCE amounts in conjunction with COPA surcharge adjustments.<sup>12</sup> The utility must provide information supporting the request for the PCE amount revision.<sup>13</sup> Adjustments will be made to the PCE amounts if the utility does not achieve the generation efficiency and/or line loss standards set out in 3 AAC 52.620.<sup>14</sup> If a utility fails to meet the generation efficiency standards (kWh/gallon), Staff will impute the number of gallons that should have been consumed. Because 3 AAC 52.610(f) provides no guidance on the method of imputing the number of gallons that should have been consumed, Staff uses the method prescribed for non-regulated utilities in 3 AAC 52.610(g)(1)(B). If a utility fails to meet the line loss standard of 12 percent, Staff will impute the number of kWh that should have been sold. The resulting imputed sales and/or generation is then used to calculate an adjusted balancing account balance which is used in determining the total fuel power costs used in the calculation of the PCE amount.

Staff notes that ALPC failed to meet the 12% line loss standard in February and March 2022. As such, Staff increased the monthly sales by 12,231 kWh and 28,241 kWh respectively and used the resulting adjusted balancing account balance to calculate the PCE amounts. In this filing, the adjustments caused the balancing account balance to decrease by \$36,776.38. These adjustments to the balancing account balance decreased ALPC's PCE level from \$0.0475/kWh to \$0.0295/kWh. In TA223-5, ALPC proposes a decrease to its PCE from \$0.1723/kWh to \$0.0295/kWh. Staff confirmed that the proposed PCE level was calculated accurately. The calculation of ALPC's PCE is attached as Appendix-2.

#### SFPPR Decrease

The SFPPR is the rate at which ALPC purchases energy from Qualifying Facilities with a design capacity of 100/kWh or less. The SFPPR, expressed in cents-per-kWh, is calculated as the sum of projected fuel costs, variable operations and maintenance expenses, and the energy portion of purchased power expenses, divided by the number of kWh sold, using the same projected costs and sales in the COPA surcharge methodology.

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<sup>11</sup> See L2200066, issued March 7, 2022.

<sup>12</sup> See 3 AAC 52.640(a)(1) which provides that a utility will request a change in its PCE with the approval of a tariff filing under 3 AAC 52.501 – 3 AAC 52.519, the regulations specific to COPA filings.

<sup>13</sup> See 3 AAC 52.640(d).

<sup>14</sup> See 3 AAC 52.620, *Generation Efficiency and Line Loss Standards*.

ALPC proposes an SFPPR of \$0.2555/kWh,<sup>15</sup> an increase from the currently approved SFPPR of \$0.2460/kWh. Staff confirmed that the proposed SFPPR was calculated accurately, using ALPC's approved methodology.

### Tariff Sheets

Staff reviewed Tariff Sheet Nos. 31.01, 33.01, and 34.00. Staff notes that on May 18, 2022, ALPC filed revised tariff sheets to correct a typographical error on Tariff Sheet No. 31.01 in line 1 and correcting the balancing account balance used in line 2.<sup>16</sup> Staff has verified the proposed surcharge and rates have been calculated accurately using ALPC's approved methodology, the proper support was filed, and the tariff sheets are correct.

### **Conclusion**

With TA223-5, ALPC requests approval of its revised COPA, PCE, and SFPPR for the period beginning April 2022. Based on the discussion above, staff recommends the Commission:

1. Approve Tariff Sheet Nos. 31.01, 33.01, and 34.00 filed May 18, 2022, by ALPC in TA223-5. The effective date of the tariff sheets should be June 2, 2022.
2. Remind ALPC to file a new COPA filing 45 days after the last day of each month, until the balancing account balance falls below 10 percent of its annual fuel costs.

**Signature:** 

**Email:** bob.pickett@alaska.gov

**Signature:**   
Keith Kurber II (May 23, 2022 13:32 AKDT)

**Email:** keith.kurber@alaska.gov

**Signature:**   
Daniel Sullivan (May 23, 2022 14:50 AKDT)

**Email:** daniel.sullivan@alaska.gov

**Signature:**   
Janis W. Wilson (May 23, 2022 16:04 AKDT)

**Email:** janis.wilson@alaska.gov

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<sup>15</sup> See Side-by-side Tariff Sheet No. 34.00, attached as Appendix-1.

<sup>16</sup> See TR2202180, filed May 18, 2022.

RCA No. 5 One hundred tenth Sheet No. 31.01  
Canceling  
One hundred ninth Sheet No. 31.01

**RECEIVED**

**FEB 22 2022**

STATE OF ALASKA  
 REGULATORY COMMISSION OF ALASKA

ANIAK LIGHT & POWER COMPANY, INC.

COPA Calculation

1. Estimated costs for three months beginning January 2022

Source	Estimated Quantity	Estimated Unit Cost	Total
Diesel Fuel	54,000	2.66	143640.00
Purchased Power			0
TOTAL			143640.00

2. COPA Balancing Account as of 12/31/21 -58863.11  
 3. TOTAL (1 + 2) 84776.89

4. Estimated retail sales for 3 months 584000  
 5. Projected cost of power (3 / 4) 0.1452 R  
 6. Base Cost of Power 0.1101  
 7. COPA amount 0.0351 R

Tariff Advice No. 222-5 Effective: March 14, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg Title: President  
 Darlene Holmberg

RCA No. 5 One hundred eleventh Sheet No. 31.01  
Canceling  
One hundred tenth Sheet No. 31.01



ANIAK LIGHT & POWER COMPANY, INC.

COPA Calculation

1. Estimated costs for three months beginning April 2022

Source	Estimated Quantity	Estimated Unit Cost	Total
Diesel Fuel	49,000	2.7057	132579.30
Purchased Power			0
TOTAL			132579.30

2. Balancing Account as of 3/31/22 -149401.87  
 3. TOTAL (1 + 2) -16822.57

4. Estimated retail sales for 3 months 519000  
 5. Projected cost of power (3 / 4) -0.0324 D  
 6. Base Cost of Power 0.1101  
 7. COPA amount -0.1425 D

Tariff Advice No. 223-5 Effective: May 27, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg Title: President  
 Darlene Holmberg

RCA No. 5 One hundred forty-eighth Revision  
Canceling  
One hundred forty-seventh Revision  
Sheet No. 33.01  
Sheet No. 33.01

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STATE OF ALASKA  
REGULATORY COMMISSION OF ALASKA

ANIAK LIGHT & POWER COMPANY, INC.

POWER COST EQUALIZATION

The following conditions apply to Power Cost Equalization (PCE) eligibility.

1. Residential customers are eligible for PCE for actual consumption of not more than 500 KWH per month.
2. Customers that are classified as local community facilities are eligible for PCE, calculated in the aggregate for each community served by Aniak Light & Power Co., Inc., for actual consumption of not more than 70 KWH per month for each resident of the community. The number of community residents shall be determined under AS 29.60.020.
3. Customers not listed above are not eligible for PCE.

If appropriations are sufficient for payment in full, the amount of Power Cost Equalization to be credited to the bills of all eligible customers rendered on or after the effective date set forth below is as follows:

<u>Rate Schedule</u>	<u>Amount</u>
All	<u>0.1723</u> /KWH R

AS42.05.110(I) provides that when appropriations are insufficient for payment in full, the amount paid to each utility is reduced on a pro rata basis. The Division of Energy, Department of Community and Economic Development has notified the Commission that funding is sufficient to cover the fiscal year 2020 (FY20) PCE Program requirements and that the shortfall will require a 0% reduction in the PCE levels effective with the 1st billing period. Beginning with that billing period, the amount of PCE to be credited to the bills of all eligible customers is as shown below:

<u>Rate Schedule</u>	<u>Amount</u>
All	<u>0.1723</u> /KWH R

Tariff Advice No. 222-5 Effective: March 14, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg Title: President  
Darlene Holmberg

RCA No. 5 One hundred forty-ninth Revision  
Canceling  
One hundred forty-eighth Revision  
Sheet No. 33.01  
Sheet No. 33.01



ANIAK LIGHT & POWER COMPANY, INC.

POWER COST EQUALIZATION

The following conditions apply to Power Cost Equalization (PCE) eligibility.

1. Residential customers are eligible for PCE for actual consumption of not more than 500 KWH per month.
2. Customers that are classified as local community facilities are eligible for PCE, calculated in the aggregate for each community served by Aniak Light & Power Co., Inc., for actual consumption of not more than 70 KWH per month for each resident of the community. The number of community residents shall be determined under AS 29.60.020.
3. Customers not listed above are not eligible for PCE.

If appropriations are sufficient for payment in full, the amount of Power Cost Equalization to be credited to the bills of all eligible customers rendered on or after the effective date set forth below is as follows:

<u>Rate Schedule</u>	<u>Amount</u>
All	<u>0.0295</u> /KWH D

AS42.05.110(I) provides that when appropriations are insufficient for payment in full, the amount paid to each utility is reduced on a pro rata basis. The Division of Energy, Department of Community and Economic Development has notified the Commission that funding is sufficient to cover the fiscal year 2020 (FY20) PCE Program requirements and that the shortfall will require a 0% reduction in the PCE levels effective with the 1st billing period. Beginning with that billing period, the amount of PCE to be credited to the bills of all eligible customers is as shown below:

<u>Rate Schedule</u>	<u>Amount</u>
All	<u>0.0295</u> /KWH D

Tariff Advice No. 223-5 Effective: May 27, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg Title: President  
Darlene Holmberg



RCA No. 5 Twenty-fourth Revision Sheet No. 34.00  
Canceling  
Twenty-third Revision Sheet No. 34.00

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FEB 22 2022

STATE OF ALASKA  
REGULATORY COMMISSION OF ALASKA

ANIAK LIGHT & POWER COMPANY, INC.

Small Facility Power Purchase Rate (SFPPR)

The rate at which the Utility will purchase power from qualifying facilities with a nameplate capacity of 100 kW or less.

The SFPPR, expressed in cents-per-kilowatt-hour is determined from the sum of fuel and variable operation and maintenance expenses and the energy portion of purchased-power expense for the same period used by the utility to project costs and sales in its COPA, updated by subsequent fuel costs, and divided by the number of kilowatt-hours sold for the same time period.

The SFPPR for the current period is:

A	Fuel Consumption (Gallons)	54,000	
B	Current Fuel Cost	\$ 2,6600	
C	Fuel Expense (AxB)	\$ 143,640.00	
D	Variable O&M Expense	\$0.00	
E	Energy Portion of Purchased Power Expense	\$0.00	
F	(C+D+E)	\$ 143,640.00	
G	kWh Sold	584,000 /kWh	
H	(F/G)	\$ 0.2460 /kWh	R

The SFPPR will be updated with the COPA

Tariff Advice No. 222-5 Effective: March 14, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg President  
Darlene Holmberg

RCA No. 5 Twenty-fifth Revision Sheet No. 34.00  
Canceling  
Twenty-fourth Revision Sheet No. 34.00



ANIAK LIGHT & POWER COMPANY, INC.

Small Facility Power Purchase Rate (SFPPR)

The rate at which the Utility will purchase power from qualifying facilities with a nameplate capacity of 100 kW or less.

The SFPPR, expressed in cents-per-kilowatt-hour is determined from the sum of fuel and variable operation and maintenance expenses and the energy portion of purchased-power expense for the same period used by the utility to project costs and sales in its COPA, updated by subsequent fuel costs, and divided by the number of kilowatt-hours sold for the same time period.

The SFPPR for the current period is:

A	Fuel Consumption (Gallons)	49,000	
B	Current Fuel Cost	\$ 2,7057	
C	Fuel Expense (AxB)	\$ 132,579.30	
D	Variable O&M Expense	\$0.00	
E	Energy Portion of Purchased Power Expense	\$0.00	
F	(C+D+E)	\$ 132,579.30	
G	kWh Sold	519,000 /kWh	
H	(F/G)	\$ 0.2555 /kWh	I

The SFPPR will be updated with the COPA

Tariff Advice No. 223-5 Effective: May 27, 2022

Issued by: Aniak Light & Power Company, Inc.

By: /s/Darlene Holmberg President  
Darlene Holmberg

TA223-5  
Appendix 1

**Aniak Light & Power Company**  
**POWER COST EQUALIZATION**  
TA222-5

Calculation of Power Cost Equalization			Amendment to Allowable Costs		
Line	Description	Prior Commission Determination (\$/kWh)	Updated Commission Determination (\$/kWh)	Line	Description Amount
A	Non-Fuel Power Costs	0.2827	0.2827	1	NON-FUEL COSTS-TA81-5/U-97-028
B	Fuel Power Costs	0.0990	(0.0513)	2	Allowable Non-Fuel Cost \$ 566,821
C	Total Power Costs	0.3817	0.2314	3	Twelve Month Total kWh Sales 2,012,576
				4	Regulatory Cost Charge \$ 0.001016
D	Total Costs Less \$0.2003/kWh	0.1814	0.0311	5	Total Non-Fuel Power Costs 0.2827
E	95% of Total Power Costs	0.1723	0.0295	6	FUEL COSTS
F	Statutory Maximum [(1-0.2003)*0.95]	0.7597	0.7597	7	Current Fuel Price \$ 2.7057
G	Lesser of E or F	0.1723	0.0295	8	Estimated Fuel Consumption (gallons) 49,000
H	Customer Class Rate			9	Estimated kWh Sales (kWh) 519,000
	Residential	0.2660	0.1157	10	Imputed Balancing Account Balance (\$159,200)
	Commercial First 250	0.2428	0.0925	11	Total Fuel Power Costs (0.0513)
	Commercial Over 250	0.2428	0.0925		
I	Power Cost Equalization - Lesser of G or H				Surcharge Calculation
	Residential	0.1723	0.0295	Line	Description Amount
	Commercial First 250	0.1723	0.0295	1	Total Estimated Fuel Power Costs 132,579
	Commercial Over 250	0.1723	0.0295	2	Balancing Account Balance (159,200)
J	Power Cost Equalization - After Reduction	100%	100%	3	Total (26,621)
	ALL	0.1723	0.0295	4	Estimated Retail Sales 519,000
				5	Projected Cost of Power (0.0513)
				6	Base Cost of Power 0.1101
				7	Surcharge \$ (0.1614)

Calculation of Average Customer Class Rate per kWh									
Line	kWh (by Block)	Rate (\$/kWh)	Customer Charge	COPA Surcharge (\$/kWh)	RCC (\$/kWh)	Total Rate (\$/kWh)	Total (\$)	Average Rate (\$/kWh)	Average Rate Less \$0.2003/kWh (\$/kWh)
1	Residential								
2	Residential First 250	0.4995	-	(0.1614)	0.001016	0.3391	84.78		
3	Residential Next 250	0.4532	-	(0.1614)	0.001016	0.2928	73.20		
4	Residential Total						157.98	0.3160	0.1157
5	Commercial First 250	0.4532	-	(0.1614)	0.001016	0.2928	73.20	0.2928	0.0925
6	Commercial Over 250	0.4532	-	(0.1614)	0.001016	0.2928	73.20	0.2928	0.0925